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A I R L I N E S L T D.

annual report 2000



TABLE OF CONTENTS

Highlights	Page 01
Message to Shareholders	Page 04
Management's Discussion and Analysis	Page 09
Auditor's Report to the Shareholders	Page 21
Financial Statements	Page 22
Notes to Financial Statements	Page 25
Corporate Information	Page 36

EXPANDING HORIZONS

WestJet Airlines Ltd. is Canada's leading low-fare air carrier based in Calgary, Alberta. In 2000, WestJet carried 3.4 million guests to the fifteen destinations of Victoria, Vancouver, Abbotsford/Fraser Valley, Prince George, Kelowna, Calgary, Edmonton, Grande Prairie, Saskatoon, Regina, Winnipeg, Thunder Bay, Hamilton, Ottawa and Moncton. As of December 31, 2000, WestJet operated 22 Boeing 737-200 aircraft and employed over 1500 people. WestJet is a publicly traded company on the Toronto Stock Exchange under the symbol WJA.

The WestJet Airlines Annual General Meeting will be held on Thursday, May 3, 2001 at 2 p.m. (MST) at the WestJet Hangar, 21 Aerial Place NE, Calgary, Alberta.

HIGHLIGHTS

(Dollars in millions except per share figures):

Finance	2000	1999	1998
Revenues	332.5	203.6	125.4
Earnings before income taxes	52.7	29.3	12.4
Net earnings	30.3	15.8	6.5
Net earnings per common share			
Basic	0.72	0.42	0.19
Fully diluted	0.69	0.39	0.19
Operating Highlights	2000	1999	1998
Revenue passenger miles	1,453,245,522	902,945,131	639,157,206
Available seat miles	1,906,863,288	1,249,316,243	893,008,646
Load factor	76.2%	72.3%	71.6%
Yield per revenue passenger mile (cents)	22.9	22.5	19.6
Passenger revenue per available seat mile (cents)	17.4	16.3	14.1
Operating cost per available seat mile (cents)	14.6	13.9	12.6
Average stage length (miles)	419.2	383.0	378.0

REVENUE
(MILLIONS)

\$332.5

2000

\$203.6

1999

\$125.4

1998



NET EARNINGS
(MILLIONS)

\$30.3

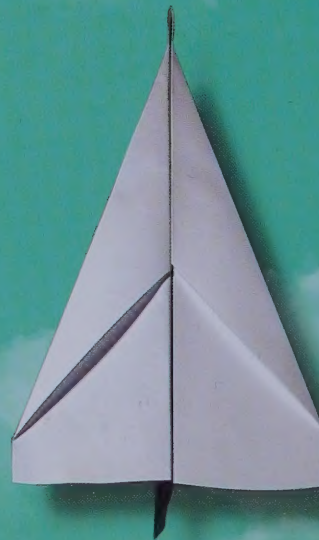
2000

\$15.8

1999

\$6.5

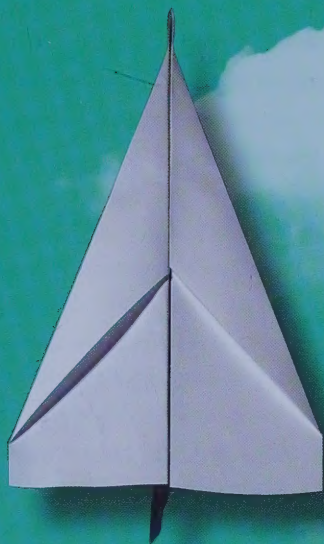
1998



3.4

2.3

1.7



2000

1999

1998

PASSENGERS CARRIED (MILLIONS)

Revenue Passenger Miles

A measure of passenger traffic, calculated as the number of revenue passengers multiplied by the total distance flown.

Available Seat Miles

A measure of total passenger capacity, calculated by multiplying the total number of seats available for sale by the total distance flown.

Load Factor

A measure of total capacity utilization, calculated as the proportion of total available seat miles occupied by revenue passengers.

Yield (Revenue per Revenue Passenger Mile)

A measure of unit revenue, calculated as the gross revenue generated per revenue passenger mile.



MESSAGE TO SHAREHOLDERS

Message to Shareholders

On behalf of WestJet Airlines, I am very proud to present to you our 2000 annual report. During this past year our team continued to expand our horizons, as we work to earn our place as Canada's leading low-fare carrier.

WestJet is proud of the consistently strong financial results we have achieved since our inception, and 2000 was no exception. Our revenue base increased from \$203.6 million in 1999 to \$332.5 million over the past year. WestJet continues to produce the best operating margins in the industry, due to our strong commitment to cost control and high productivity. WestJet generated a 16.1% operating margin in 2000, up from 15.0% in 1999.

Though overall costs per available seat mile increased during 2000, a significant portion of this increase was as a result of higher fuel prices on the worldwide market. WestJet had a fixed pricing agreement on approximately 67.0% of our fuel purchased throughout the year, at an equivalent oil price of \$18.61 US per barrel; however, we were impacted on the remaining quantity of our fuel purchases not protected under this agreement. Though fuel represented the majority of our ASM cost increase, costs were also impacted as a result of the greater employee profit share provision, which was driven by our improved profits and our higher margin. Controlling costs is fundamental to WestJet's success, and each of our people has taken on this responsibility, finding ways to keep WestJet ahead in this very key area.

In May 2000, WestJet received approval from our shareholders for a three-for-two share split, and in December we went to the markets and completed a successful second common share offering which generated net proceeds of \$52.1 million. The proceeds from this offering will be used to finance the acquisition of our new aircraft and the new facilities that will allow us to continue our growth.

WestJet's Expanded Operations

WestJet ended 2000 with 22 Boeing 737-200 aircraft, after adding six 737-200 series aircraft to our fleet during the year. These additional aircraft allowed us to further develop our route network across Canada, marking one of the most exciting growth phases of our five-year history. WestJet responded to the growing number of people calling for more choice in air travel with the addition of service to Hamilton in March, Moncton in April and Ottawa in June, as well as several new non-stop routes within our western network in the summer and



again in November. These eastern Canadian markets have served to strengthen our network and diversify our product and, as a result, we are welcoming an increasing number of new guests who want to experience WestJet's exceptional service and value.

During 2000 we celebrated the opening of our new Head Office in northeast Calgary, bringing together our people who were formerly separated into several buildings. In addition, we neared completion on our new Hangar facility, which will house our maintenance, operations and inflight teams in early 2001.

In February 2000, we reached an agreement with Boeing for the acquisition of new generation Boeing 737-700 aircraft, which we have selected to be the future of WestJet's fleet. In August, we augmented our agreement to a total of 36 firm aircraft, 10 to be leased and 26 to be purchased. Within this agreement we were able to obtain purchase rights and options for a further 58 aircraft, bringing the total number of potential aircraft to 94 over the next eight years. During this time we plan to phase out the current 737-200s, and by 2008 our fleet should be entirely comprised of these new state-of-the-art aircraft.

Also in 2000, we purchased a Boeing 737-200 flight simulator and committed to purchasing a Boeing 737-700 flight simulator early in 2001. These simulators will significantly reduce our flight operation's training costs, by allowing our pilots to train in Calgary rather than having to spend time traveling to other destinations. They will also provide us with a revenue opportunity, through other airlines purchasing available surplus time.

WestJet's Expanded Team

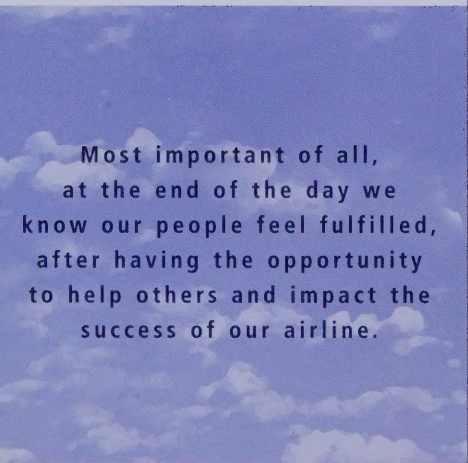
As I have said many times before, our people continue to be the driving force behind our success. Our team grew from approximately 1000 people at the end of 1999 to nearly 1500 people at the end of 2000. Though this is a significant growth for any company, we have retained a strong focus on recruiting and training and by being highly selective in this process we believe that we have been able to retain and strengthen our culture throughout this expansion. We continue to lead the industry in a key measure of productivity, employees per aircraft, operating with 56 people per aircraft in the fleet.

Our employee group, PACT, again played a very important role in 2000, working together with our management team to develop ideas and collaborate in new and creative ways to



Clive Beddoe, President, CEO and Executive Chairman

MESSAGE TO SHAREHOLDERS



Most important of all,
at the end of the day we
know our people feel fulfilled,
after having the opportunity
to help others and impact the
success of our airline.

manage WestJet's growth. We were also pleased to have reached an unprecedented five-year employment agreement with our pilots, which we announced early in 2001, and which shows our mutual commitment to the success of this company.

The WestJet executive team and I continue to be truly impressed and amazed at the incredible commitment of our people. Each new person that we bring onboard has embraced the concept of going above and beyond at WestJet. We have seen firsthand not only how our guests react to this treatment, but how these stories have inspired others within WestJet to continue to build on this winning way of treating our valued customers. Most important of all, at the end of the day we know our people feel fulfilled after having had the opportunity to help others and through their initiative, impact the success of our airline.

We were very proud of our employees having earned the right to receive \$13.5 million in profit sharing during 2000. We are delighted with this element of our Total Compensation Plan, which aligns our people's goals with that of the company. The average full-time employee received two profit share cheques in 2000, totaling more than \$9,000, which makes a significant impact on their compensation and serves to further enhance the power that can be generated by having many people working together towards one common goal. In my opinion, no other Canadian carrier has been able to reproduce the commitment and dedication shown by our united WestJet family.

WestJet's Expanded Opportunities

The tumult in the airline industry continued during 2000, as Canada's dominant carrier completed its consolidation and another new carrier took to the skies. Despite the uncertainty with other airlines, WestJet's future remains bright. We have worked hard to provide a unique product – a combination of excellent fares and great service – which has secured WestJet a loyal following.

Our airline is recognized as a strong force with unlimited potential. WestJet has set a new standard of customer service, and though our competitors may attempt to match our fares they have been unable to emulate the caring customer service our people provide daily to our guests.

While continuing to appeal to our traditional market of visiting friends and relatives, our added frequency and new connections are now proving to be an attractive alternative for

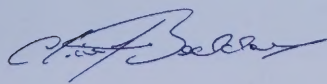
a growing number of business travelers. During 2000 we flew 3.4 million guests across Canada, an increase of 46.5% over 1999. The proof of this growing customer base is evidenced by our load factor which increased by 3.9 percentage points in 2000 to 76.2%, our highest annual load factor to date.

It is our intention to ensure that WestJet continues to be successful by remaining true to the strategies that have helped us get to where we are today, and by recognizing and seizing new opportunities.

WestJet's Expanded Horizons

During 2000, Tim Morgan, Don Bell, Mark Hill, and I were very honoured to have been recognized as Canada's Entrepreneurs of the Year. Though this award should have displayed the names of every WestJetter who has contributed to the company's success, we were pleased to accept it on their behalf in recognition of all that they have accomplished over the past five years. They have made a tremendous difference in the airline industry in Canada and we are grateful for this acknowledgement of their efforts.

Finally, I would like to thank you, our shareholders, for believing in our dream of bringing affordable air travel to all Canadians. Your support, and that of our customers and more than 1500 WestJetters, will ensure that we can continue to expand our horizons – to build WestJet into Canada's alternative airline.



Clive Beddoe
President, CEO and Executive Chairman
WestJet Airlines Ltd.
March 2001





Canada

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS

Overview

WestJet's financial performance in 2000, while notable, was only part of a larger story of the Corporation's continued preparation for the future by building infrastructure, managing risk, positioning for opportunities and securing its competitive advantage and reputation in a rapidly changing industry environment.

As in the four previous years, WestJet continued on a flight plan of controlled and carefully managed growth. We added six aircraft, introduced 52.6% more available seat miles into the Canadian marketplace, attracted 411 new full time equivalent employees, increased revenues by 63.3% to \$332.5 million and improved bottom line performance by 91.1% to \$30.3 million.

WestJet's people participated in some new and exciting initiatives as well, which have set the stage for our continued growth. We expanded our friendly, low-fare service to reach Canadians on both the Pacific and Atlantic coasts and 15 cities in between. We completed deals with Boeing and General Electric for the acquisition of 36 new generation 737-700 aircraft to be delivered over the next five years. We purchased two flight simulators, one for the existing fleet of 737-200 aircraft and another to ensure that our pilots can train, cost effectively, here at WestJet, for the 737-700s. We watched the construction of our new hangar and our new administrative headquarters and call centre in Calgary and our people have moved into the latter, with the move to the hangar set for early 2001. We also saw some changes made to our senior management team to enhance our culture, strengthen leadership roles and to ensure the consistency of management style. We secured the U.S. Government's Export-Import Bank's commitment for \$1.2 billion (\$744 million US) in loan guarantees to assist the financing of our new airplanes. We completed a successful offering of shares at a time when equity markets were volatile and uncertain, raising \$52.1 million net to further strengthen our balance sheet. Most importantly, our people celebrated our success and were rewarded with two record distributions of profit sharing. Throughout the year, WestJetters reinforced a powerful alignment of their



MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS

interests with the airline and subscribed to the philosophy of shared success, as 81.4% of our people participated in our Employee Share Purchase Plan.

Results of Operations

Earnings per share on a fully diluted basis increased to 69 cents in 2000, a 76.9% gain from 39 cents in 1999. Despite an era of high-energy prices and their impact on WestJet's un-hedged fuel, the overall cost of operating WestJet increased only nominally. Improvements in revenues and savings in a number of other cost categories have helped offset the impact of fuel on WestJet's bottom line.

During 2000, net earnings nearly doubled and cash generated through operations provided \$87.4 million to treasury, compared with \$47.8 million in the previous year. Net earnings amounted to 9.1% of revenues in 2000 compared with 7.8% in 1999. Our operating margin was among the highest in the North American airline industry at 16.1% of revenues, an improvement of more than one full percentage point over 1999's result. WestJet's capacity grew by 52.6% over 1999 and revenue passenger miles outpaced capacity growth increasing 60.9%. Costs increased by 61.2%, less than in 1999, contributing to the improved operating margin.

Earnings before interest, income taxes, depreciation, and aircraft rent (EBITDAR) also showed solid improvement, growing 86.1% from 1999's \$43.2 million to \$80.4 million in 2000. WestJet's EBITDAR margin improved to 24.2% in 2000 from 21.2% in 1999. It should be noted that in 2000 we revised our estimates for depreciation to take into account the potential for an earlier retirement of the 737-200 fleet.

Profit sharing is an integral and very important component of WestJet's total compensation philosophy for our people. The plan provides that a minimum of 10.0% up to a maximum of 20.0% of the airline's pre-tax and pre-profit share income is distributed in cash to all employees based on a formula that matches margin to profit share. This formula means that in an instance where the Corporation may have a doubling of margin from 10.0% to 20.0%, WestJet's people could see a quadrupling of their profit share. All of WestJet's cost and margin statistics previously mentioned include a provision for profit share. The margin for purposes of this calculation achieved a record high in 2000 at 19.5%, compared with 17.5% in 1999. These financial results are a due to a number of



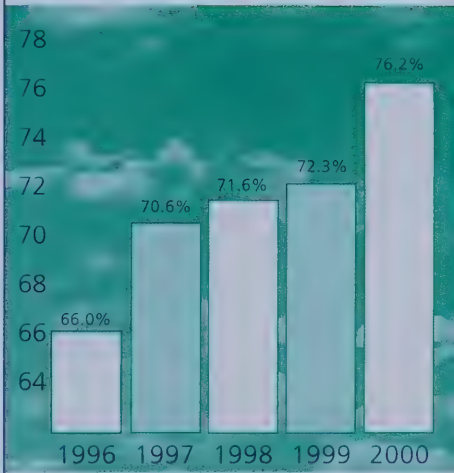
factors, particularly the commitment to quality and safety by the people of this airline and their continued focus on innovation, productivity and superior customer service.

Revenues

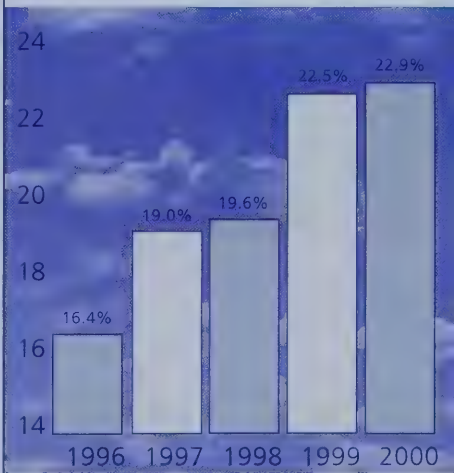
In 2000, we witnessed the continued demand for low fares from coast to coast. Outpacing our 52.6% increase in available seat miles was a larger 60.9% increase in revenue passenger miles. This resulted in a load factor increase from 72.3% at year-end 1999 to 76.2% in 2000. At the same time WestJet achieved the very unusual phenomenon of also increasing yield, or revenue per revenue passenger mile, from 22.5 cents per mile in 1999 to 22.9 cents in 2000. Total passenger revenues increased 63.1% from \$193.7 million in 1999 to \$315.9 million in 2000. In addition, 5.1% of WestJet's total revenues were derived from charters, transportation of cargo, promotional golf and ski packages, group bookings, and the sundry fees levied for items such as itinerary changes, cancellations and excess baggage. These revenues represented \$16.6 million in 2000, compared with \$9.9 million in the previous year, a 68.3% increase. Total revenues grew 63.3% from \$203.6 million in 1999 to \$332.5 million in 2000.

WestJet has successfully deployed a three-pronged growth strategy for all of its five years in operation. This strategy involves introducing new cities to the airline's route network, adding frequency and improving the schedule between existing destinations, and linking cities already served together in new ways as direct city pairs within our network. As the airline continues to grow and strengthen our schedule, we are witnessing and managing improved yields from a higher mix of walk-up fares from guests who are willing to pay premium fares for flexibility and choice. WestJet's fares continue to be substantially lower than the other major carrier, and our revenue management system works to optimize the mix of higher fare classes and available inventory, while ensuring that our trademark of low fares are available for the price-sensitive traveler.

There are two particularly noteworthy points on WestJet's top line performance. As a new entrant to the eastern market, WestJet is a small player, just as we were five years ago in the west, with low frequency and only four cities served east of the Ontario-Manitoba border. This initiative has produced a dilution of our overall revenue performance, not unlike our western experience in earlier years. Despite that, WestJet's load factor and yield have both increased over the previous year as a result of improved frequency in the West.

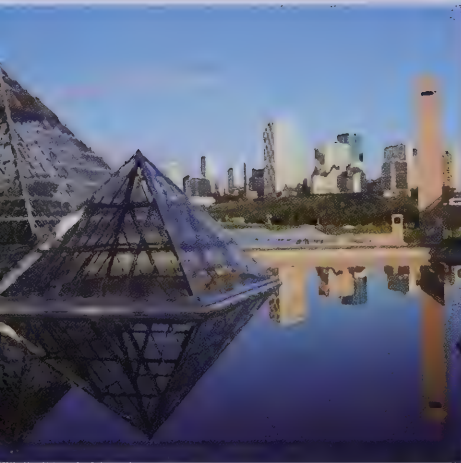


Load Factor
(Percentage)



Yield
Revenue per Revenue
Passenger Mile (Cents)

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS



Edmonton

Our distribution through travel agents continues to be an important pillar for growth across the country. In 1996, travel agencies accounted for less than 20.0% of our business even though we paid the industry-standard commission. In late 1999, as the major carriers in Canada and the US tried to reduce costs, they reduced travel agent commissions to 5.0% and as a result alienated one of their most important distribution channels. WestJet opted for a different approach, to reward our partners in the travel industry for their support, by paying a premium 7.0% commission when the booking is made through our call centre, and 9.0% if the agency books through our Internet site (www.westjet.com). As a result, and even with the eastern yield dilution, the typically higher-yield business that is generated by travel agents remains strong and accounted for approximately 40.0% of our guest revenues at year-end.

Expenses

Low costs are the key to our business model. WestJet's competitive advantage, and the reason we are able to generate earnings on low fares, is low costs. We consistently achieve superior rates of top line and bottom line performance by stimulating the travel market and making it affordable for all Canadians to travel. Our costs associated with our growth are expensed, not deferred or capitalized.

Even with the expense incurred of growing our business, our unit costs have remained essentially flat over our five-year history once fuel cost premiums, profit share and the 1998-1999 introduction of Nav Canada fees are extracted. While published cost per available seat mile (CASM) indicates an increase to 14.6 cents from 13.9 cents in 1999, profit share represented 0.2 cents and fuel represented 0.5 cents. Together, these items account for all of the year-over-year change, even though profit share showed a dramatic increase in 2000 due to the improved operating margin. WestJet's investments in technology, the constantly-improving productivity of our people, the benefits of economies of scale, enhanced purchasing power and our fuel management (most notable for WestJet this past year) has provided an enviable low cost position going forward.

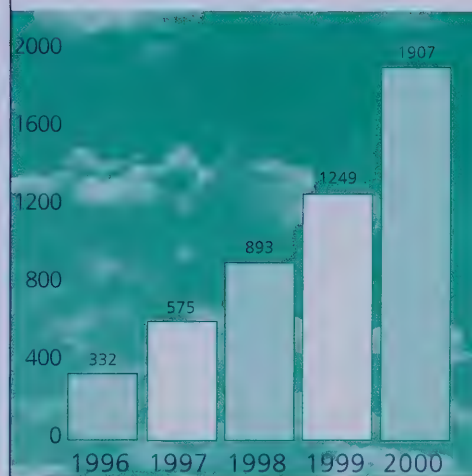
Even in the face of ongoing cost increases imposed by airport authorities for landing fees and terminal charges, we were successful in reducing the costs of passenger services by 0.1 cents per Available Seat Mile (ASM). This category also includes ground handling, costs associated with disrupted passengers, and wages for WestJetters employed at the airports in our 15 cities served.

As we grow and add flights to cities where WestJet service already exists, significant economies of scale are achieved because additional flights do not necessarily require similar increases in airport and ground resources. Furthermore, we have been adding technology at airports in the form of our Touch N Go touch screen kiosks to improve guest check-in processes when a guest is travelling without checked baggage.

Over the past several years we have added operational spare aircraft to the fleet to relieve the pressure associated with flight delays and cancellations which are related to weather or mechanical difficulties. This has improved our on-time performance and dispatch reliability, which in turn alleviates the stress levels imposed on our people on the front lines. This has resulted in a 4.5% unit cost decrease in passenger services despite the ever-rising costs imposed by airport authorities.

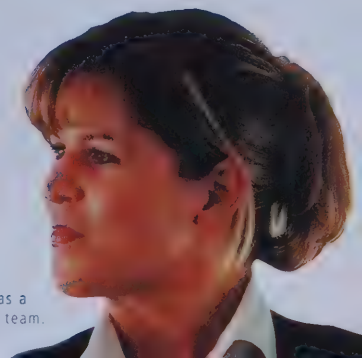
The costs of aircraft ownership, including depreciation, leasing and interest on debt, combined to produce a net increase of 0.3 cents in the unit cost for this expense category. While aircraft term debt from financing in 1997, 1998 and 1999 continued to be paid down and interest expense was dramatically reduced, our leasing activity in 2000 saw four aircraft of the 22 in the fleet on operating lease by year's end. This is compared with three by the end of 1999, two of which were added very late that year, so 1999 had in effect an average of only 1.3 aircraft on operating lease as compared with 3.5 aircraft during 2000. In 2000, when the decision was made to renew the fleet with Boeing 737-700 aircraft, management revisited its estimates on the useful life of the 737-200 fleet and conservatively set out a retirement plan for these aircraft over the next eight years. This change reduced the estimated average life of an aircraft in our fleet and created a 0.3 cent per ASM increase in amortization charge to allow for this potential earlier retirement.

Maintenance costs on a unit basis remained almost unchanged, showing a 1.8% increase. This increase is mainly attributable to the weak Canadian dollar and its impact on this cost category because most engine, engine accessory and other aircraft component repair and overhaul work is performed in the US. Our fleet of 22 Boeing 737-200 aircraft had an average age of 23 years at the end of 2000, the same as the fleet's average age a year earlier, due to the addition of younger aircraft to offset the one year of aging.



**Available Seat Miles
(Millions)**

Raylene works as a
part of our Inflight team.



MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS



Grande Prairie

With WestJet's maturing and increasing fleet, large dollar expenditure items such as engine overhauls and heavy airframe maintenance checks do not vary significantly from year to year. They can, however, create large peaks and valleys in expenditures from quarter to quarter, and historically WestJet's accounting policy for interim and quarterly reporting purposes has been to budget these expenditures with a maintenance reserve or accrual on the balance sheet. By fiscal year end the result is the same; no reserve is accrued and the costs reflect the actual expenditures for all maintenance expenses incurred during the year. WestJet had recorded these expenses in this way because a quarter may have no large dollar engine or airframe work, simply due to timing. This could create an unusually low cost picture and higher earnings number. Conversely, a reporting period could have higher than normal quarterly activity for these large expenditures and potentially mislead the reader of financial statements with lower earnings performance.

For interim reporting periods in 2001 and forward, WestJet will move to a consistent maintenance policy for quarters and year-end by booking actual expenses on a quarterly basis. Fortunately, due to our increased size and current scheduling for maintenance work, we anticipate that these expenditures for maintenance should track our revenue patterns quarter to quarter during 2001. The longer the reporting period and the larger the fleet, the less vulnerable the reporting is to these fluctuations.

In 1998, WestJet entered into fixed price and fixed volume fuel supply agreements with jet fuel suppliers. The contracts were not derivative instruments; rather, they committed a certain supply in cents per litre for jet fuel. As a better-understood and indicative number, we locked up the majority of our fuel requirement in the comparable range of a crude oil price of US \$16 per barrel. This arrangement originally extended through 1998, 1999 and to June of 2000 and meant that we did not benefit when the price of oil dropped to US \$11 in early 1999. In July of 1999 we negotiated an extension to the contract to June 2003 and moved to one supplier who provided us with a Canadian cent per litre price supply contract on enhanced volumes. To protect us from falling energy prices, this contract provided us with a ceiling price of US \$18.61. These fuel management arrangements have effectively hedged WestJet's exposure to the price of oil. As our airline grows, the fixed volume nature of the contracts has been diluted with 90.0% of our jet fuel purchases covered in 1998, 70.0% in 1999, and 67.0% in 2000. With our estimated growth we anticipate 50.0% of our fuel requirements in 2001 will still be covered by this agreement.

On a unit basis WestJet's fuel costs increased by 20.1% or 0.5 cents per available seat mile during 2000, as a result of rising energy prices on our un-hedged purchases.

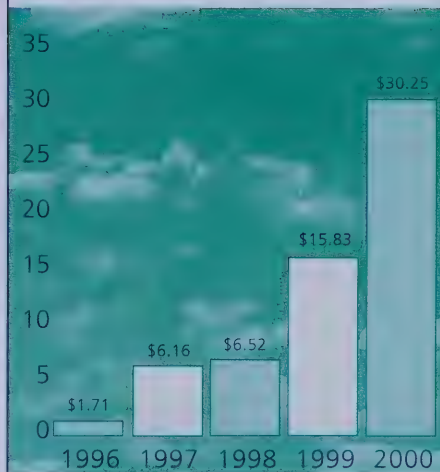
Sales and marketing costs increased 2.5% on unit basis in 2000 over 1999. WestJet does not spend a great deal on media advertising and none on television, with the exception of promotional dollars spent when we enter a new market. The year 2000 required more promotion due to eastern expansion and the introduction of our airline to four new cities in a region where we were virtually unknown.

In 2000, WestJet moved away from extending credit terms to travel agents. This has decreased our bad debt expense, which was not significant, and has increased the incidence of credit card discounts or commissions and has provided cost savings and efficiencies in the booking processes and administration of accounts receivable.

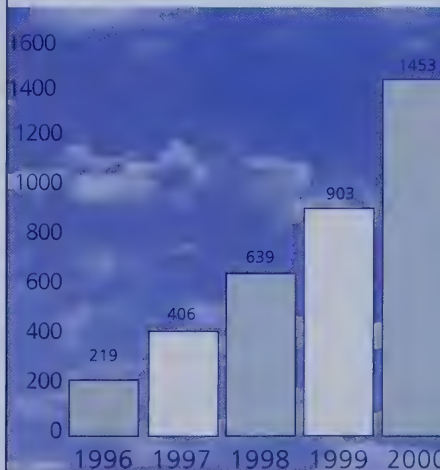
The big news for WestJet's cost structure was our investment in technology, particularly the Internet, to enhance our booking process. Our guests were first able to book through our website (www.westjet.com) in the summer of 1999 and that convenience, was steadily embraced by more travelers, expanding by about 1.0% per month to 14.0% in June, 2000. Starting in July 2000, travel agents were encouraged to use the web site with the higher 9.0% commission. Through the last half of 2000, the growth in that portion of our revenues generated online has been exceptional, and by year-end amounted to more than 25.0% with consistently growing trends. WestJet's cost of a booking through our Calgary call centre is approximately \$12.00, while the cost of the same booking completed by our guest on the Internet results in a vast savings to the Corporation.

Our strategy is to continue growing this technological initiative and to continue improving our online service for both the public and the travel agent community. As a result, our unit cost of reservations is down by 14.3% from 1999 to one tenth of one cent per ASM, with opportunity for further improvements in this area.

Flight operation unit costs showed an increase of 3.4% over 1999's result. The largest single category of cost in this area is pilot wages and benefits, including the corporation's matching of our employee share purchases. WestJet entered into a five-year agreement on compensation with our pilots in 1997 and that agreement had average base wage increases



Net Earnings
(Millions)



Revenue Passenger Miles
(Millions)

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS



Maika, Dan and Rebecca,
part of our Winnipeg airport team.

of over 7.0% per year. The main contributor to increasing flight operation expenses is some erosion in pilot productivity due to travel for simulator training as well as the cost of obtaining suitable flight simulator time at facilities in the United States.

Market availability for simulator time is very tight worldwide and WestJet saw a tremendous opportunity to improve this process by purchasing our own flight simulators. Not only will this ensure our ability to efficiently and effectively train our growing numbers of captains and first officers, but the company will also benefit from selling surplus capacity on our simulators to other airlines. Simulators also represent important improvements for our people, eliminating the need to send our crews all over the world to train at inconvenient times. Our analysis demonstrated that acquiring our own 737-700 and 737-200 simulators was financially and operationally worthwhile even without considering the revenue opportunities of selling simulator time to other airlines. These simulators will be housed in our newly constructed Calgary hangar.

Inflight expenses consist of the wages, benefits and training for our team of flight attendants. Much like all the other employee groups in the airline, normal scale increases since 1997 have averaged 5.0% per annum and like other functions these cost increases have been offset by economies of scale and productivity improvements. The refinement and consolidation of training departments, continued investment in technology and infrastructure for maximum efficiency of workforce scheduling, and our major employee-driven initiative in 2000 to establish our new "Air Supply" in-house commissary department are the main drivers behind a 4.6% decrease in unit costs. Air Supply is our name for a team of WestJetters whose role is to purchase, store, deliver to aircraft and manage the provision of beverages and snacks on our flights. Early in 2000, we opted to discontinue using a third party to provide this service. This initiative, combined with some minor changes in the type of products provided to our guests, has generated substantial improvements in both quality and cost.

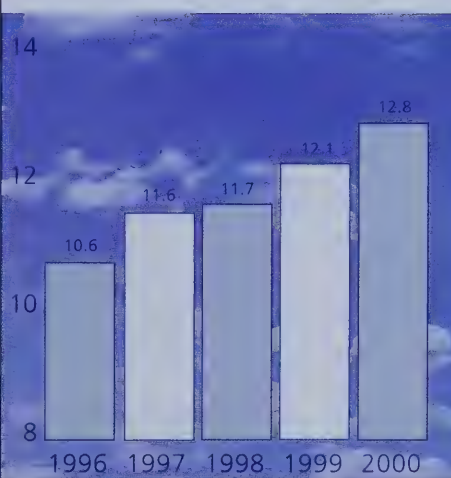
Total general and administrative unit costs declined from 1999 by 15.4% in 2000. WestJet's general and administrative expenses are comprised mainly of salaries of senior management of the departments of finance, information technology and people (human resources), as well as our insurance premiums. With the size of these groups remaining constant despite the increased size of the company, we were able to make unit cost improvements in this area.

Notably, our insurance costs were favorably reduced in 2000. However, the aviation insurance market is under strenuous pressure, as premiums are not keeping pace with claims. WestJet renewed its policies early in 2000. Due to a number of factors – including our excellent safety record, our history and our plan for growth, and fleet renewal – we enjoyed a dramatic 25.5% reduction in our unit cost of insurance. We also opted to extend the new policy term to avoid the volatile insurance market and take advantage of the low in the market’s cycle.

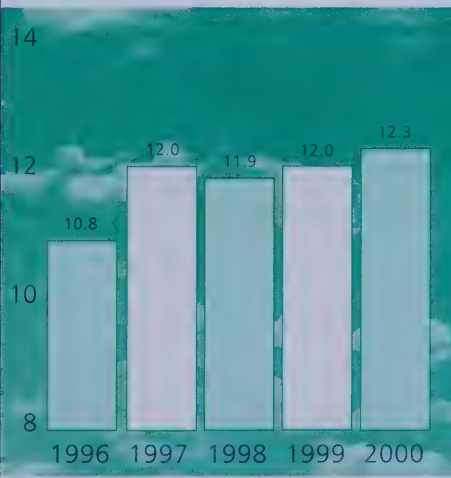
Like all businesses in Canada, WestJet has benefited from the tax cuts legislated by the federal and many provincial governments. In 2000, current taxes payable and the allowance for future income taxes on timing differences amounted to 42.6% of pre-tax earnings, a reduction from 46.1% in 1999. Our allowance for future corporate income taxes to both levels of government, on current earnings but deferred and not currently taxable, is based only on enacted legislation. While we consider the estimates to be conservative at 40.7%, Management, the Audit Committee, and the Board of Directors are comfortable with this approach and have developed a plan for adjusting the estimates downward as further tax changes are passed into law.

Salaries and wages, before benefits and profit share, account for approximately 15.0% of WestJet’s total operating costs, which is second only to fuel. Productivity can be measured by the number of employees needed to operate an aircraft. WestJet had 61 employees per aircraft in the fleet at the end of 1998, 55 at the end of 1999 and 56 by the end of 2000. This includes two people per airplane dedicated to planning and executing our transition to the new Boeing 737-700 jets. Another measure, employees per aircraft in revenue service, indicated that there were 83 people per revenue aircraft at the end of 1998, 73 at the end of 1999 and including the 737-700 team, was still down to 72 in December of 2000. This measure disregards the aircraft which are operational spares or are in maintenance checks.

WestJet’s people are paid mid-market base salary or hourly wage but have the opportunity to improve that compensation through our profit sharing and employee share purchase plans. The profit share amounted to \$13.5 million in 2000, a 104.3% increase over the \$6.6 million in the previous year which was directly attributable to our increased pretax margin. The second component of WestJet’s compensation philosophy is the Employee



**Cost per Available Seat Mile
Excluding Profit Share
and Nav Canada Fees (Cents)**



**Cost per Available Seat Mile
Excluding Profit Share, Nav Canada
Fees and Impact of Fuel (Cents)**

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL RESULTS



Prince George

Share Purchase Program (ESP). At the end of 1999, 69.4% of WestJetters were contributing an average of 11.6% of their base wage to the plan, which is matched dollar for dollar by the company. At the end of 2000, the number had increased to an 81.4% participation level and an average of 12.5% of their pay. This led to our people purchasing, in total, \$8.0 million in WJA shares, \$4.0 million of which came from our people. The corporation's matching contribution under the share purchase plan is recorded as an operating cost, one that has increased in 2000 over previous years, but is a vital way to reward our people and an area of cost increase that WestJet is proud to acknowledge.

Financial Condition

WestJet ended the year with \$79.0 million cash, \$239.3 million in capital assets, \$49.5 million in long-term debt and capital lease obligations, and only four aircraft of our 22 financed under operating leases. The Corporation has ample working capital, enjoys a net debt free status and has \$181.1 million in shareholders' equity. Clearly, the company has one of the most favourable balance sheets in the industry.

Our plan for fleet renewal by the introduction of new generation aircraft is necessary to continue to place the airline in a position to grow and benefit from a changing industry in Canada. We have firm orders for 36 aircraft over five years and over the next eight years we have flexibility in both the retirement schedule of the existing fleet as well as options and purchase rights with Boeing and General Electric for an additional 58 aircraft. WestJet's capital philosophy has always been towards a conservatively leveraged balance sheet. It is our intention to have one-third of our fleet on operating lease and two-thirds of our fleet financed, 50.0% with debt and 50.0% with equity. We now have the luxury of a two-year window before the first purchased aircraft is delivered to WestJet to generate sufficient revenue and to raise the appropriate amounts of financing. The obligation of buying 26 aircraft represents a \$1.2 billion (\$744 million US) commitment to Boeing between 2003 and 2006 but is supported by a \$1.1 billion commitment from the US Government's Export-Import Bank on a 12-year term loan, should we need it. In current market terms the interest rate that would be applicable to this financing would be approximately 5.8%.

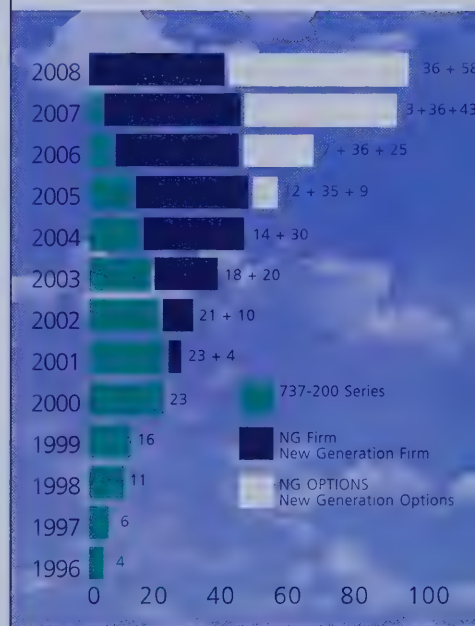
Our financing activity in 2000 reflected our business philosophy of maintaining a flexible and strong balance sheet while growing our fleet. We retired and sold one of our original three aircraft early in the year, purchased six aircraft outright and added a seventh to the fleet via operating lease. WestJet also completed a sale and capital leaseback transaction for \$10.0 million in the fourth quarter. WestJet has been very profitable, virtually since day one, and long ago used its pre-startup loss carry forwards for income tax purposes. There is a distinct tax advantage to owning rather than leasing aircraft and we purposely set out to use that advantage and our cash to acquire the majority of our aircraft during the year.

WestJet is nearing completion of its \$23.0 million hangar facility in Calgary and during 2000, moved into the new call centre and administrative headquarters building, which was secured on a ten-year lease. As at December 31, 2000 capital outlay on the hangar and its simulator bay amounted to \$20.0 million and \$10.3 million had been drawn on our \$12.0 million mortgage facility.

The airline spent \$9.6 million on its two simulators in 2000, about half of the total commitment, and drew \$8.8 million of \$16.1 million in available term debt financing for the 737-700 trainer. With cash, WestJet paid deposits and pre-delivery payments required under the new aircraft leases and purchase contracts amounting to \$18.4 million and also acquired a total of \$20.5 million in various spare engines and parts, leasehold improvements, computer technology and sundry equipment.

Outlook

All WestJetters are excited about our new facilities and look forward to the arrival of our new generation Boeing 737-700 aircraft. These planes fly faster, farther and quieter than our existing airplanes and will provide us with improved utilization, fuel efficiencies, and lower maintenance costs. We are confident of the improved economics they will provide, notwithstanding their higher ownership cost. We have a strong balance sheet and a low cost structure, which can well withstand any potential recessions and competitive pressures in our industry and we feel very confident that we will be able to take full advantage of this enviable position in the years to come. WestJet has been through regional recessions, fare wars and vigorous competition for five years, all of which have strengthened our culture and the determination of our people as our company further expands its horizons.



Fleet Plan



Erin is a part of our Moncton airport team.



Calgary

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of WestJet Airlines Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



KPMG. LLP.

Chartered Accountants

Calgary, Canada
February 9, 2001

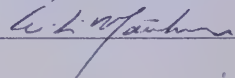
WESTJET AIRLINES LTD.
CONSOLIDATED
BALANCE SHEETS

December 31, 2000 and 1999
(Stated in Thousands of Dollars)

	2000	1999
Assets		
Current assets:		
Cash and short-term investments	\$ 79,025	\$ 50,740
Accounts receivable	6,447	5,168
Prepaid expenses and deposits	6,099	4,123
Inventory	604	462
	92,175	60,493
Capital assets (note 2)	239,320	121,974
Other long-term assets (note 3)	5,677	4,131
	\$ 337,172	\$ 186,598
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,616	\$ 21,059
Income taxes payable	10,471	7,410
Advance ticket sales	18,764	10,907
Non-refundable passenger credits	6,996	3,863
Current portion of long-term debt (note 4)	9,336	6,550
Current portion of obligations under capital lease (note 5)	1,597	137
	90,780	49,926
Long-term debt (note 4)	40,953	29,341
Obligations under capital lease (note 5)	8,519	335
Future income tax (note 7)	15,828	12,509
	156,080	92,111
Shareholders' equity:		
Share capital (note 6)	125,390	69,039
Retained earnings	55,702	25,448
	181,092	94,487
Commitments (notes 5 and 8)		
	\$ 337,172	\$ 186,598

See accompanying notes to consolidated financial statements.

On behalf of the Board: Clive Beddoe, Director 

Wilnot Matthews, Director 

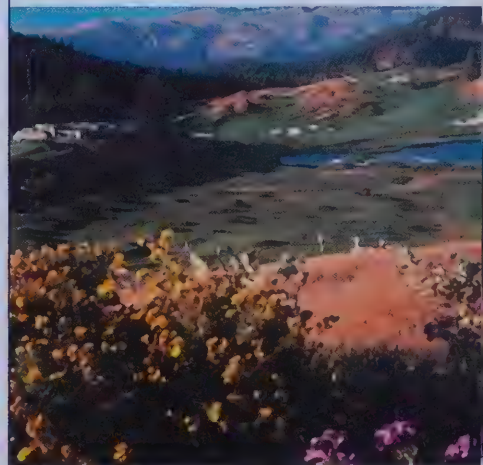


Years ended December 31, 2000 and 1999
(Stated in Thousands of Dollars, Except Per Share Data)

	2000	1999
Revenues:		
Passenger revenues	\$ 315,931	\$ 193,715
Charter and other	16,588	9,859
	332,519	203,574
Expenses:		
Passenger services	64,090	43,955
Aircraft fuel	55,875	30,480
Maintenance	49,512	31,854
Sales and marketing	21,763	13,907
Amortization	17,959	8,272
Employee profit share provision	13,549	6,633
Flight operations	13,923	8,826
Reservations	12,497	9,550
General and administration	12,147	9,410
Inflight	10,972	7,531
Aircraft leasing	6,770	2,687
	279,057	173,105
Earnings from operations	53,462	30,469
Non-operating income (expense):		
Interest income	2,463	1,657
Interest expense	(2,937)	(2,871)
Gain (loss) on disposal of assets	(282)	93
	(756)	(1,121)
Earnings before income taxes	52,706	29,348
Income taxes (note 7):		
Current	18,102	7,696
Future	4,350	5,820
	22,452	13,516
Net earnings	30,254	15,832
Retained earnings, beginning of year	25,448	9,616
Retained earnings, end of year	\$ 55,702	\$ 25,448
Earnings per share:		
Basic	\$ 0.72	\$ 0.42
Fully diluted	\$ 0.69	\$ 0.39

See accompanying notes to consolidated financial statements.

WESTJET AIRLINES LTD. CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS



Kelowna



Tracey works with our
Information Technology team.

WESTJET AIRLINES LTD.
CONSOLIDATED STATEMENTS
OF CASH FLOWS



Abbotsford

Years ended December 31, 2000 and 1999
(Stated in Thousands of Dollars)

	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings	\$ 30,254	\$ 15,832
Items not involving cash:		
Amortization	17,959	8,272
Gain on disposal of capital assets	(633)	(93)
Future income tax	4,350	5,820
Cash flow from operations	51,930	29,831
Increase in non-cash working capital	35,483	17,948
	87,413	47,779
Financing:		
Increase in long-term debt	22,417	15,314
Repayment of long-term debt	(8,019)	(5,335)
Issuance of common shares	57,689	30,591
Share issuance costs	(2,369)	(2,356)
Increase in other long-term assets	(3,818)	(4,195)
Decrease in obligations under capital lease	(137)	(96)
	65,763	33,923
Investments:		
Aircraft additions	(97,269)	(39,318)
Aircraft disposals	12,239	—
Other capital asset additions	(40,043)	(5,350)
Other capital asset disposals	182	206
	(124,891)	(44,462)
Increase in cash	28,285	37,240
Cash, beginning of year	50,740	13,500
Cash, end of year	\$ 79,025	\$ 50,740

Cash is defined as cash and short-term investments.
See accompanying notes to consolidated financial statements.

Years ended December 31, 2000 and 1999
(Tabular Amounts are Stated in Thousands of Dollars)

1. Significant accounting policies:

- (a) Principles of consolidation:
These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries.
- (b) Revenue recognition:
Passenger revenue is recognized when air transportation is provided. The value of unused tickets is included in the balance sheet as advance ticket sales under current liabilities.
- (c) Non-refundable passenger credits:
The Corporation, under certain circumstances, may issue future travel credits which are non-refundable and which expire one year from the date of issue. The utilization of passenger credits are recorded as revenue when the passenger has flown.
- (d) Foreign currency:
Monetary assets and liabilities, denominated in foreign currencies, are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Other assets and revenue and expense items are translated at rates prevailing when they were acquired or incurred.

Exchange gains and losses arising on the translation of long-term monetary items that are denominated in foreign currencies are deferred and amortized on a straight-line basis over the remaining term of the related monetary item.
- (e) Inventory:
Materials and supplies are valued at the lower of cost and replacement value. Aircraft expendables and consumables are expensed as incurred.
- (f) Deferred costs:
Sales and marketing and reservation expenses attributed to the advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses are \$2,435,000 (1999 - \$1,169,000) of deferred costs.
- (g) Capital assets:
Capital assets are depreciated over their estimated useful lives at the following rates and methods.

Asset	Basis	Rate
Aircraft net of estimated residual value	Flight hours	Hours flown
Spare engines and parts	Flight hours	Hours flown
Aircraft under capital lease	Straight-line	Over the term of the lease
Flight simulators	Straight-line	10 and 25 years
Computer hardware and software	Straight-line	5 years
Equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Over the term of the lease
Buildings	Straight-line	40 years

WESTJET AIRLINES LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



Victoria



Darrin works with
our maintenance team
in Hamilton.

**WESTJET AIRLINES LTD.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**



Vancouver



Gerry is one of our pilots

1. Significant accounting policies (continued):

h) Maintenance costs:

Maintenance costs related to the cost of acquiring the aircraft and preparation for service are capitalized and included in aircraft costs.

Heavy maintenance ("D" check) costs incurred on aircraft are deferred and amortized over the remaining useful service life of the aircraft.

All other maintenance costs are expensed as incurred.

(i) Capitalized interest costs:

Costs associated with the introduction of new aircraft and other assets under construction are capitalized from inception through to commencement of commercial operations. Interest attributable to funds used to finance the acquisition of new aircraft and construction of major ground facilities is capitalized as an additional cost of the asset.

(j) Future income tax:

Effective January 1, 2000, the Corporation adopted the CICA Handbook Section 3465. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Prior to January 1, 2000, the Corporation used the deferral method of accounting for income taxes. This change in accounting policy did not have a material impact in the calculation of the income tax expense nor on the future income tax liability.

(k) Financial instruments:

The Corporation manages its foreign exchange exposure through the use of options, forward contracts and cross currency swaps. Resulting gains and losses are accrued as exchange rates change to offset gains and losses resulting from the underlying hedged transactions. Premiums and discounts are amortized over the term of the contracts.

The Corporation manages its exposure to jet fuel price volatility through the use of fixed price and fixed ceiling price agreements. Premiums and discounts are amortized over the term of the contracts.

(l) Comparative figures:

Certain prior period balances have been reclassified to conform with current presentation.

2. Capital assets:

2000	Cost	Accumulated depreciation	Net book value
Aircraft	\$ 174,014	\$ 27,676	\$ 146,338
Spare engines and parts	26,497	1,410	25,087
Buildings	19,958	—	19,958
Deposits on aircraft	18,428	—	18,428
Flight simulators	9,624	—	9,624
Aircraft under capital lease	9,202	151	9,051
Computer hardware and software	6,879	2,059	4,820
Equipment	5,003	1,470	3,533
Leasehold improvements	3,112	915	2,197
Computer hardware under capital lease	643	359	284
	\$ 273,360	\$ 34,040	\$ 239,320

1999			
Aircraft	\$ 117,084	\$ 14,385	\$ 102,699
Spare engines and parts	14,331	—	14,331
Computer hardware and software	3,539	1,148	2,391
Equipment	2,484	787	1,697
Leasehold improvements	979	536	443
Computer hardware under capital lease	643	230	413
	\$ 139,060	\$ 17,086	\$ 121,974

During the year capital assets were acquired at an aggregate cost of \$9,780,000 by means of capital leases and interest costs of \$275,000 (1999 - \$nil) were capitalized to buildings under construction.

3. Other long-term assets:

Included in other long-term assets are pre-payments of premiums for long-term contracts with fuel suppliers of \$2,000,000, deposits on long-term operating lease agreements of \$3,435,000 and pre-payments of insurance of \$242,000.



Regina

**WESTJET AIRLINES LTD.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**



Saskatoon

4. Long-term debt:

	2000	1999
\$12,000,000 term loan of which the remaining \$1,703,000 will be drawn subsequent to year end and will be repayable in monthly instalments of \$108,000 commencing May 2001 including interest at 9.03%, maturing April 2011, secured by the hangar facility	\$ 10,297	\$ —
\$8,756,000 term loan repayable in monthly instalments of \$86,000 commencing June 2001 including floating interest at 8.37%, maturing May 2016, secured by new generation flight simulator	8,756	—
\$4,257,000 term loan repayable in monthly instalments of \$66,000 including interest at 8.39% and \$2,943,000 term loan repayable in monthly instalments of \$47,000 including interest at 8.81%, maturing October 2005, secured by one aircraft	5,858	6,681
\$5,117,000 term loan repayable in monthly instalments of \$76,000 including interest at 8.29% and \$2,383,000 term loan repayable in monthly instalments of \$36,000 including interest at 8.36%, maturing October 2005, secured by one aircraft	5,826	6,645
\$5,759,000 term loan repayable in monthly instalments of \$87,000 including interest at 8.42%, and \$1,614,000 term loan repayable in monthly instalments of \$25,000 including interest at 8.49%, maturing October 2005, secured by one aircraft	5,793	6,606
\$6,500,000 bank term loan repayable in monthly instalments of \$133,000 including interest at 8.38%, maturing May 2004, secured by two aircraft	4,729	5,875
\$7,500,000 bank term loan repayable in monthly instalments of \$153,000 including interest at 8.13%, maturing April 2003, secured by two aircraft	3,880	5,330
\$7,500,000 bank term loan repayable in monthly instalments of \$154,000, including interest at 8.50%, maturing November 2002, secured by two aircraft	3,255	4,754
\$3,364,000 term loan repayable in monthly instalments of \$178,000 including interest at 6.36%, maturing November 2001	1,895	—
	50,289	35,891
Less current portion	9,336	6,550
	\$ 40,953	\$ 29,341

4. Long-term debt (continued):

Future scheduled repayment of long-term debt is as follows:

2001	\$ 9,336
2002	8,148
2003	5,845
2004	4,753
2005 and thereafter	23,910
	<u>\$ 51,992</u>

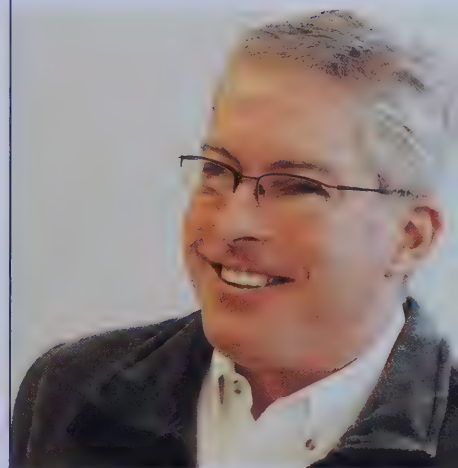
The Corporation has available a facility with a chartered bank of \$2,000,000 for letters of guarantee and \$7,000,000 U.S. for forward foreign exchange contracts. At December 31, 2000, letters of guarantee totaling \$925,000 have been issued under these facilities. The credit facilities are secured by a fixed first charge on one aircraft, a general security agreement and an assignment of insurance proceeds.

The cash interest paid in the year was \$3,212,000.

5. Leases:

The Corporation has entered into operating leases for aircraft, buildings, computer hardware and software licenses and capital leases relating to computer hardware and an aircraft. The obligations on a calendar-year basis, are as follows (see note 8 for additional lease commitments):

	Capital Leases	Operating Leases
2001	\$ 2,417	\$ 11,963
2002	2,396	11,279
2003	2,294	8,797
2004	2,247	6,803
2005 and thereafter	3,370	17,937
Total lease payments	12,724	<u>\$ 56,779</u>
Less imputed interest at 8.73%	2,608	
Net minimum lease payments	10,116	
Current portion of obligations under capital lease	1,597	
Obligations under capital lease	<u>\$ 8,519</u>	



Sandy is our Senior Vice President
and Chief Financial Officer.

WESTJET AIRLINES LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



Winnipeg



Daniel is part of our
airport team in Hamilton.

6. Share capital:

The non-voting common shares and the non-voting preferred shares are subject to limitations to be fixed by the directors of the Corporation.

(a) Authorized:

- Unlimited number of voting common shares
- 700,000 non-voting performance shares
- Unlimited number of non-voting shares
- Unlimited number of non-voting first, second and third preferred shares

(b) Issued:

	2000		1999	
	Number	Amount	Number	Amount
Common shares:				
Balance, beginning of year	40,955,999	\$ 69,604	35,006,295	\$ 39,523
Common share issue	2,420,000	54,450	4,125,000	27,500
Conversion of performance shares	501,640	10	155,253	3
Exercise of options	1,120,944	2,664	1,117,158	2,138
Employee share purchase plan	—	—	555,372	1,742
Share issuance costs	—	(2,369)	—	(2,356)
Tax benefit of issue costs	—	1,031	—	1,059
Cancellation of shares	—	—	(3,079)	(5)
	44,998,583	125,390	40,955,999	69,604
Less: Due from shareholder	—	—	—	(575)
Balance, end of year	44,998,583	125,390	40,955,999	69,029
Performance shares:				
Balance, beginning of year	333,644	10	437,146	13
Conversion of performance shares	(333,644)	(10)	(103,502)	(3)
Balance, end of year	—	—	333,644	10
		\$ 125,390		\$ 69,039

(c) Stock split:

On May 12, 2000, the common shares of the Corporation were split on a three for two basis. All number of shares and per share amounts have been restated to reflect the stock split.

6. Share capital (continued):

(d) Stock Option Plan:

The Corporation has a Stock Option Plan, whereby up to a maximum of 4,184,000 common shares may be issued to directors, officers and employees of the Corporation subject to the following limitations:

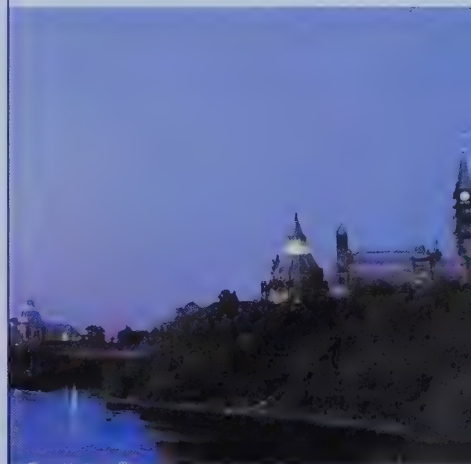
- (i) the number of common shares reserved for issuance to any one optionee will not exceed 5% of the issued and outstanding common shares at any time;
- (ii) the number of common shares reserved for issuance to insiders shall not exceed 10% of the issued and outstanding common shares; and
- (iii) the number of common shares issuable under the Plan which may be issued within a one year period shall not exceed 10% of the issued and outstanding common shares at any time.

Stock options are granted at a price that equals the market value and have a term of four years.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	2000		1999	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	3,222,338	\$ 2.84	3,398,255	\$ 2.11
Granted	1,272,850	20.48	974,480	4.33
Exercised	(1,120,944)	2.38	(1,117,158)	1.91
Cancelled	(16,123)	10.54	(33,239)	2.73
Stock options outstanding, end of year	3,358,121	\$ 9.64	3,222,338	\$ 2.84
Exercisable, end of year	973,249	\$ 3.02	825,717	\$ 1.94

WESTJET AIRLINES LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



Ottawa

**WESTJET AIRLINES LTD.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**



Hamilton

6. Share capital (continued):

(d) Stock Option Plan (continued):

The following table summarizes the options outstanding and exercisable at December 31, 2000 and the year of expiry:

Outstanding			Exercisable Options		
Exercise Price	Number Outstanding	Year of Vesting	Exercisable	Exercise Price	Year of Expiry
\$ 2.00	421,449	2000	421,449	\$ 2.00	2001
2.67	291,777	2001	—	2.67	2002
2.67	516,800	2000	516,800	2.67	2001
4.00	594,875	2001	—	4.00	2002
4.00	133,875	2002	—	4.00	2003
6.67	75,000	2001	—	6.67	2002
6.67	83,355	2002	—	6.67	2003
20.48	35,000	2000	35,000	20.48	2001
20.48	1,205,990	2003	—	20.48	2004
\$ 9.64	3,358,121		973,249	\$ 3.02	

Upon filing the Corporation's initial public offering on July 13, 1999, 158,355 options were re-priced from \$4.00 per share to \$6.67 per share. In 2000, the Corporation has committed to the holders of the options that it will pay the differential up to \$2.67 per share upon exercise of those options.

(e) Employee Share Purchase Plan:

Under the terms of the Employee Share Purchase Plan, employees may contribute up to a maximum of 20% of their gross pay and acquire common shares of the Corporation at the current fair market value of such shares. The Corporation matches the employee contributions and shares may be withdrawn from the Plan after being held in trust for one year. Employees may offer to sell common shares, which have not been held for at least one year, on January 1 and July 1 of each year, to the Corporation for 50% of the then current market price. The Corporation's share of the contributions is recorded as compensation expense and amounted to \$4,025,000 (1999 - \$2,300,000).

(f) Performance shares:

The performance shares were held by management and key employees of the Corporation. During 2000, the remaining performance shares were all converted into common shares of the Corporation at a conversion factor of two performance shares for three common shares.

(g) In 1999, the Corporation advanced promissory notes of \$575,000 to an officer of the Corporation to purchase common shares. The promissory notes were repaid in 2000.

7. Income taxes:

During the year, the Corporation adopted the new method of accounting for income taxes. The liability method is described in note 1.

Income taxes vary upon the amount that would be computed by applying the basic Federal and Provincial tax rate of 45% to earnings before taxes as follows:

	2000	1999
Expected income tax provision	\$ 23,718	\$ 13,207
Add (deduct):		
Non-deductible expenses	35	55
Other	(124)	(10)
Capital taxes	170	264
Large corporations tax	475	—
Future tax reductions	(1,822)	—
	\$ 22,452	\$ 13,516

The components of the net future income tax liability at December 31, 2000 is as follows:

Future income tax assets:	
Share issue costs	\$ 1,334
Future income tax liabilities:	
Capital assets	\$ 17,162
Net future income tax liability	\$ 15,828



Thunder Bay



Ally works with our
Ottawa airport team.

**WESTJET AIRLINES LTD.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**



Inflight team member Donna.

8. Commitments:

(a) Aircraft:

The Corporation has also entered into an agreement to lease ten Boeing new generation aircraft, which will be delivered over the course of 2001 to 2002. The Corporation has also obtained options to lease an additional ten Boeing new generation aircraft to be delivered prior to the end of 2006. The obligations for these leases in U.S. dollars are as follows:

2001	\$	6,780
2002		20,700
2003		28,800
2004		28,800
2005 and thereafter		320,640
	\$	405,720

The Corporation has also entered into an agreement to purchase twenty-six Boeing new generation aircraft, to be delivered over the course of 2003 to 2006. This agreement provides the Corporation with the option to purchase an additional forty-eight aircraft for delivery prior to the end of 2008.

The Corporation has made deposits of \$19,878,000 (\$13,494,000 U.S.) relating to these purchases and the remaining estimated payments in U.S. dollars are as follows:

2001	\$	22,479
2002		44,373
2003		456,775
2004		445,201
2005 and thereafter		270,482
	\$	1,239,310

The Corporation has received a commitment for financing from Export Import Bank of the United States on the twenty-six Boeing new generation aircraft. This \$744,000,000 U.S. commitment may be used for the aircraft purchases beginning in 2003.

(b) Employee profit share:

The Corporation has an employee profit sharing plan whereby eligible employees will participate in the pre-tax operating income of the Corporation. The profit share ranges from a minimum of 10% to a maximum of 20% of earnings before employee profit share and income taxes. The amounts paid under the plan are subject to approval by the Board of Directors.

8. Commitments (continued):

(c) Hushkit requirements:

In accordance with Canadian Aviation Regulations (C.A.R.s) requirements, the Corporation is required to install hushkits on its aircraft fleet in order to conform to noise emission standards. The C.A.R.s requirements to hushkit Boeing 737 aircrafts are to have 85% of the fleet hushkitted by October 1, 2001 and 100% of the fleet by April 1, 2002.

As at December 31, 2000, the Corporation had 18 of its 21 operational aircraft equipped with hushkits and was in compliance with C.A.R.'s requirements.

9. Risk management:

(a) Fuel risk management:

The Corporation has managed its exposure to jet fuel price volatility through the use of long-term fixed price contracts and contracts with a fixed ceiling price which it has entered into with a fuel supplier. Any premiums paid to enter into these long-term fuel arrangements are recorded as other long-term assets and amortized to fuel expense over the term of the contracts. As of July 1999, the Corporation had entered into a fixed ceiling price fuel contract that is in effect through June 2003. Based on historical and anticipated volumes of fuel usage, this contract represents approximately 50% of the Corporation's projected 2001 fuel requirements at an indicative price of U.S. \$18.61 per barrel of crude oil.

(b) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as certain ongoing expenses are referenced to U.S. dollar denominated prices. The Corporation periodically uses financial instruments, including forward exchange contracts and options, to manage its exposure. At December 31, 2000 the Corporation did not have any forward contracts outstanding.

(c) Interest rate risk:

The Corporation has entered into fixed rate debt agreements in order to manage its interest rate exposure on debt instruments. These agreements are described in note 4.

(d) Credit risk:

The Corporation does not believe it is subject to any significant concentration of credit risk. Most of the Corporation's receivables result from tickets sold to individual passengers through the use of major credit cards and travel agents. These receivables are short-term, generally being settled shortly after the sale.

(e) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term to maturity.

At December 31, 2000, the fair value of the long-term debt was approximately \$51,862,000, based on market prices of debt with comparable remaining maturities.



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CORPORATE INFORMATION

Board of Directors

Clive J. Beddoe

*Executive Chairman
President and CEO
WestJet Airlines Ltd.*

Ron Greene

*President
Tortuga Investment Corp.*

Wilmot Matthews

*President
Marjad Inc.*

Murph N. Hannon

*President
Murcon Development Ltd.*

Brian Gibson

*Senior Vice President, Active Equities
Ontario Teachers' Pension Plan Board*

Tim Morgan

*Senior Vice President, Operations
WestJet Airlines Ltd.*

Donald A. MacDonald

*President
Sanjel Corporation*

Larry Pollock

*President and Chief Executive Officer
Canadian Western Bank
and Canadian Western Trust*

Corporate Officers

Clive J. Beddoe

*Executive Chairman
President and Chief Executive Officer*

Alexander (Sandy) J. Campbell

*Senior Vice President, Finance
Chief Financial Officer*

Tim Morgan

Senior Vice President, Operations

Donald Bell

Senior Vice President, Customer Service

Head Office

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Fax: (403) 444-2301
Website: www.westjet.com

Annual and Special Meeting

WestJet Airlines Ltd. Annual and Special Meeting will be held at 2 p.m. (MST) on Thursday, May 3, 2001 at WestJet's Hangar, 21 Aerial Place NE, Calgary, AB



Transfer Agent and Registrar

CIBC Mellon Trust Company

Toll Free Phone Number North America

• 1-800-387-0825

Phone Number Outside North America

• 416-643-5500

Email - inquiries@cibcmellon.com

Website - www.cibcmellon.com

Auditors

KPMG LLPP

Calgary, AB

Legal Counsel

Burnet, Duckworth and Palmer

Calgary, AB

Stock Exchange Listing

WestJet is publicly traded on the
Toronto Stock Exchange under
the symbol WJA.

Investor Relations Contact Information

Phone: 1-877-493-7853

or 444-2252 in Calgary

Email: investor_relations@westjet.com

Jody and Charles are part of
our Ottawa airport team.





WESTJET

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